

**CITY PROPOSAL #1 and 2 – PERIOD OF MEMORANDUM OF AGREEMENT, AGREEMENT CONDITIONS, AND WAGES AND SPECIAL PAY**

*The City recognizes the significant sacrifices made by City employees in the form of a 10% total compensation reduction and other concessions.*

*For Fiscal Year 2013-2014, the City is projecting a small General Fund shortfall. However, built into the 2014-2018 General Fund Forecast for 2013-2014 is a small set-aside for salary adjustments in the form of an Employee Compensation Planning Reserve (\$11.1 million). As discussed in this Forecast, although this Reserve causes the General Fund budget position to be slightly negative, the Administration believes that budget balancing solutions can be identified to close the 2013-2014 shortfall without reducing or eliminating General Fund services to our community. The primary reason the City was able to factor in the Employee Compensation Planning Reserve is that some elements of the Fiscal Reform Plan (approximately \$20 million in General Fund savings) have been implemented and included as part of the development of the City's 2013-2014 budget. Without these savings, the City would not be able to include this Reserve and, rather, would most likely have to reduce or eliminate services and eliminate positions. In the event all or part of these Fiscal Reform savings contained in the Fiscal Year 2013-2014 budget are not realized, the City will no longer have identified funding available to continue the increases proposed herein.*

*As of February 2013, for Fiscal Year 2014-2015, the City is projecting a \$13.7 million General Fund shortfall and there is currently no ongoing funding identified to solve this shortfall. The City would like to again provide compensation increases during this Fiscal Year. However, it will be important that some additional implementation of the Fiscal Reform Plan occur in order to provide funding for the compensation increases proposed herein. If the 4% additional retirement contributions contained in the City Charter is implemented, it is estimated that these savings will offset a majority of the February 2013 projected 2014-2015 General Fund shortfall of \$13.7 million and allow the City to provide compensation increases.*

*In addition, the City is mindful that employees have taken a 10% total compensation reduction and we are also mindful that most employees are at the top salary step in the pay range. This means that those employees have not received automatic salary step increases. However, there are some employees who were not at the top salary step of the pay range and have continued to receive 2.5% automatic salary step increases each year. Given the limited funding available, the City's proposal is intended to affect employees at the top salary step of the pay range who have not received a salary step increase since the 10% total compensation reduction.*

City Proposed Language:

**ARTICLE 2 PERIOD OF MEMORANDUM OF AGREEMENT**

- 2.1 This Agreement shall become effective July 1, ~~2014~~2013, except where otherwise provided, and shall remain in effect through June 30, ~~2015~~2014. No amendment or change to the provisions of this Agreement shall be valid or binding unless reduced to writing and signed by duly authorized representative(s).

It is mutually agreed that the first meeting of the parties will be held no later than fifteen (15) calendar days after the City or Union receives notice from the other, which may be any date after January 1 of the year in which the current contract terminates.

**ARTICLE 12 WAGES AND SPECIAL PAY**

12.1 Effective June 26, 2011, all salary ranges for employees holding positions in classifications assigned to MEF (Union Code 050/051/052) shall be decreased by approximately 12.01%. This will result in the top and bottom of the range of all classifications represented by MEF being 12.01% lower. All employees will receive a 12.01% base pay reduction.

12.2 Effective July 1, 2013, the top step for employees represented by MEF will be increased by approximately 2.5% by adding an additional step to each classification represented by MEF. All employees who are at the top of the salary range on July 6, 2013, will receive a salary step increase of approximately 2.5% effective July 7, 2013. All employees who are not at top step on July 6, 2013, will continue to receive automatic salary step increases as scheduled until they reach the top of the pay range (inclusive of the new step).

The funding for this increase has been built into the Fiscal Year 2013-2014 Budget and is predicated on savings achieved in the implementation of the Fiscal Reform Plan, at an approximate \$20 million in General Fund savings. In the event all or part of these savings are not realized through the term of this agreement, the 2.5% top step will be rolled back prospectively effective the pay period upon notice that the savings will not be realized. The roll back will not be retroactive.

12.3 Effective July 6, 2014, or the pay period the 4% additional retirement contribution or pay reduction is implemented per the City Charter, whichever occurs later, the top salary step for employees represented by MEF will be increased by approximately 2.5% by adding another step to each classification represented by MEF. All employees who are at the top of the salary range on July 5, 2014, will receive a salary step increase of approximately 2.5% effective July 6, 2014, or the same pay period the 4% additional retirement contribution or pay reduction is implemented per the City Charter, whichever occurs later. All employees who are not at the top step on July 5, 2014, will continue to receive automatic salary step increased as scheduled until they reach the top of the pay range (inclusive of the new step).

12.24 Wages for part-time employees. Employees assigned to part-time classifications shall be paid an hourly rate equivalent to the hourly rate for the same full-time classifications.

ARTICLE 3 AGREEMENT CONDITIONS

3.1 Full Understanding, Modification And Waiver

- 3.1.1 This Agreement sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any and all prior or existing Memoranda of Understanding, understandings and agreements, whether formal or informal, are hereby superseded and terminated in their entirety.
- 3.1.2 Existing benefits within the scope of representation, provided by ordinance or resolution of the City Council or provided in the San José Municipal Code shall be continued without change during the term of this Agreement. Such existing benefits, which are referenced in the Agreement, shall be provided in accordance with the terms of the Agreement.
- 3.1.3 It is the intent of the parties that ordinances, resolutions, rules and regulations enacted pursuant to this Memorandum of Agreement be administered and observed in good faith.
- 3.1.4 Although nothing in this Agreement shall preclude the parties from mutually agreeing to meet and confer on any subject within the scope of representation during the term of this Agreement, it is understood and agreed that neither party may require the other party to meet and confer on any subject matter covered herein or with respect to any other matter within the scope of representation during the term of this Agreement.
- 3.1.5 Notwithstanding any other provision of this Agreement, the parties agree to continue to meet and confer over retiree healthcare benefits and funding upon request of either party. This may include but is not limited to alternatives to reduce the cost of retiree healthcare benefits and options for current employees that comply with IRS regulations. The City and MEF shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply. ~~Notwithstanding Article 3.1.4 and Article 14, the City may notify the Organization in writing once during the term of this Agreement of its desire to reopen negotiations regarding retiree healthcare benefits. Upon such notice being given, the duly authorized representatives of the parties shall meet and confer in good faith in an effort to reach a mutual agreement with respect to retiree healthcare benefits. If no agreement is reached, the parties will follow the impasse procedures set forth in the City of San Jose's Employer-Employee Relations Resolution (#39367) and the Meyers-Millias-Brown Act. The parties understand that this means that, notwithstanding any other provision of this agreement, the City will have the right to unilaterally implement in the event that no agreement is reached at the conclusion of negotiations and mandatory impasse procedures~~
- 3.1.6 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over retirement benefits upon request of either party in the event that the pension modification ballot measure, also known as Measure B, in part or in whole, is declared invalid or otherwise modified or changed by any court of competent jurisdiction or any other administrative process, or by any applicable State or Federal law or regulation.

Negotiations between the City and MEF shall commence within 14 days upon notice from either party that any action referenced in the previous paragraph has occurred. The City and MEF shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.

- 3.1.7 Notwithstanding any other provision of this Agreement, the parties agree to meet and confer over active healthcare benefits upon request of either party.

Negotiations between the City and MEF shall commence within 14 days upon notice from either party that any action references in the previous paragraph has occurred. The City and MEF shall negotiate in good faith in an effort to reach a mutual agreement. Applicable impasse dispute resolution procedures shall apply.